

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2013-10

NOTICE OF FURTHER REVISIONS TO
UNITED STATES POSTAL SERVICE
NOTICE OF MARKET-DOMINANT PRICE ADJUSTMENT --ERRATA
(October 29, 2013)

On September 26, 2013, the Postal Service filed its notice of market dominant price adjustments in this docket. Minor revisions in that Notice, emanating from several sources, were filed on October 18 and 21, 2013. Further minor revisions are made today, as discussed below.

Standard Mail Price Adjustments

After the CPI and Exigent filings were submitted on September 26, 2013, a rate anomaly was discovered in both cases for Standard Mail Letters weighing more than 3.3 ounces and up to and including 3.5 ounces. The per piece price for High Density Plus letters was lower than the per piece price for Saturation letters. Saturation mailings include almost all addresses on each Carrier Route, and should be priced lower than High Density Plus, which requires only 300 pieces per carrier route. The lower per pound price for High Density Plus occurred because, at these weight increments, a formula has been used to generate the letter price based on the flats price. In preparing its new rate schedules, the Postal Service attempted to lower the spread between High Density Plus Flats and Saturation Flats in order to generate

more High Density Plus volume. Under the formula, the lower High Density Plus prices for Flats produced the letter anomaly.

High Density Plus and Saturation Letters are the two categories affected (only those volumes that fall between 3.3 and 3.5 ounces). The High Density Plus Letters volume between 3.3 and 3.5 ounces was 367,520 pieces for the period of Q4 2012 – Q3 2013. That is roughly one-tenth of one percent of High Density Plus letter volume. Saturation Letters volume between 3.3 and 3.5 ounces last year was 11,558,178. That is roughly four-tenths of one percent of Saturation letters.

Although the volumes in question are only a tiny fraction of Standard Mail volume, the anomaly sends the wrong pricing signal and should be corrected. Without a correction, Saturation volume will pay lower prices by switching to High Density Plus. Today's revisions will adjust the rates for High Density Plus Letters in the 3.3 through 3.5 ounce cells and break the formula. The relevant MCS language is also revised, as otherwise it would maintain the formula which created this problem. Instead, appropriate price tables are added, and the formula language is removed. This makes the MCS more transparent, and will hopefully prevent anomalies in the future. The updated MCS is presented in the revised Attachment A appended to this pleading, with the new prices highlighted in yellow.

The total impact to mailers is very small, with the magnitude of the revenue change estimated in single-digit thousands of dollars, compared with the rates as filed on September 26th. The overall percentage increase for HD/Saturation Letters in the CPI filing increases from 1.322 percent to 1.323 percent, while the percent change in the Exigent filing remains at 4.212 for this product. The overall percent increase for

Standard Mail does not change in either the CPI or Exigent filings (1.609 percent and 4.264 percent, respectively). Consequently, only very minor changes are necessary in the text of the CPI Notice; and the only noticeable revisions appear in Attachment A (the MCS).

The relationships between HD/Sat Letters and HD/SAT Flats is not altered by this change in prices. That is, the difference between a DDU Saturation Flat and a DSCF Saturation Letter is still 0.003 cents. The per piece prices for pieces that weigh less than 3.3 ounces are still as they were, and so are the per pound prices.

The specific change in the text of the Notice is as follows:

Table 8, page 24

High Density/Saturation Letters row, change “1.322” to “1.323”

In the MCS, the specific revisions are to change the High Density Plus per piece price for both Commercial and Nonprofit, and to replace the pricing formulas with a price table. In places where “Regular” had not yet been replaced by “Commercial,” that change is also made.

Copies of the revised page (24) of the Notice and revised pages (23-24A) of the MCS in Attachment A to the Notice are attached to this pleading.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Richard T. Cooper
Managing Counsel, Corporate and Postal
Business Law

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing & Product Support

Anthony Alverno
Chief Counsel, Global Business & Service
Development

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986, Fax -6187
October 29, 2013

Table 8
Standard Mail Product Price Changes

Product	Percent Change
Letters	1.614
Flats	1.809
Parcels	1.820
High Density / Saturation Letters	1.323
High Density / Saturation Flats and Parcels	1.412
Carrier Route	1.666
Every Door Direct Mail - Retail	5.000
Overall	1.609

Standard Mail Flats:

In this price adjustment, Flats receive an above average price increase. In its 2012 Annual Compliance Report, the Postal Service proposed a three year schedule of above-average CPI increases for Flats,¹⁵ which the Commission approved in its 2012 Annual Compliance Determination.¹⁶ In that schedule the Postal Service agreed to increase Standard Flats prices by at least CPI x 1.05 in 2014, 2015, and 2016. The increase proposed in this filing more than complies with that schedule, by increasing flats by CPI x 1.067.

FSS Pricing for Flats:

As discussed in Part III (a) (1), in 2014 the Postal Service will be requiring FSS preparation in DFSS zones. In conjunction with this requirement, the Postal Service is also proposing new FSS pricing for Flats, High Density flats, High Density Plus flats, and Carrier Route flats. The FSS prices for these products will be the rates currently charged for 5-digit Flats, High Density flats, High Density Plus flats, and Carrier Route

¹⁵ Docket No. ACR 2012, Annual Compliance Determination Report Fiscal Year 2012, at 19 (March 28, 2013) (*hereafter* "FY2012 ACD").

¹⁶ *Id.* at 22.

High Density Letters (3.3 ounces or less)

Entry Point	Commercial (\$)	Nonprofit (\$)
Origin	0.205	0.129
DNDC	0.172	0.096
DSCF	0.162	0.086

*Saturation, High Density Plus, and High Density Nonautomation Letters
(3.3 ounces or less) ~~Commercial~~Regular*

Entry Point	Saturation (\$)	High Density Plus (\$)	High Density (\$)
None	0.202	0.228	0.233
DNDC	0.169	0.195	0.200
DSCF	0.159	0.185	0.190
DDU	-	-	-

*Saturation, High Density Plus, and High Density Automation Letters (3.3
ounces or less) Nonprofit*

Entry Point	Saturation (\$)	High Density Plus (\$)	High Density (\$)
None	0.126	0.151	0.157
DNDC	0.093	0.118	0.124
DSCF	0.083	0.108	0.114
DDU	-	-	-

*Saturation, High Density Plus, and High Density Letters (more than 3.3
ounces) Commercial*

a. Per Piece

	<u>Saturation</u> (\$)	<u>High Density</u> <u>Plus</u> (\$)	<u>High Density</u> (\$)
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Automation	0.064	0.075	0.079
Nonautomation	0.076	0.083	0.107

b. Per Pound

Entry Point	Saturation (\$)	High Density Plus (\$)	High Density (\$)
None	0.612	0.612	0.612
DNDC	0.451	0.451	0.451
DSCF	0.403	0.403	0.403

Saturation, High Density Plus, and High Density Letters (more than 3.3 ounces) Nonprofit

a. Per Piece

	Saturation (\$)	High Density Plus (\$)	High Density (\$)
Automation	0.025	0.034	0.038
Nonautomation	0.035	0.042	0.066

b. Per Pound

Entry Point	Saturation (\$)	High Density Plus (\$)	High Density (\$)
None	0.442	0.442	0.442
DNDC	0.281	0.281	0.281
DSCF	0.233	0.233	0.233

Pieces weighing more than 3.3 ounces

Automation letter-shaped pieces that weigh more than 3.3 ounces but not more than 3.5 ounces pay the applicable flats piece and pound price but receive a discount off the piece price equal to the minimum flats per piece price minus the minimum letter per piece price corresponding to the applicable entry point and density tier.

~~High Density and Saturation Letters that weigh more than 3.5 ounces, and saturation (other than pieces with a simplified address) and high density letter-shaped pieces without eligible barcodes or not meeting automation letter standards that weigh more than 3.3 ounces must pay the prices shown in the applicable Standard Mail (Commercial and Nonprofit), Mail High Density and Saturation Flats/Parcels, Flats price tables (1210.6). These pieces cannot be entered at a DDU and must be prepared as letters.~~

Move Update Noncompliance Charge

Add \$0.07 per piece in a mailing that does not comply with the Move Update standards.

Move Update Assessment Charge

Add \$0.07 per assessed piece, for mailings with less than 70 percent of mailpieces passing a Performance Based Verification at acceptance and which cannot demonstrate compliance with Move Update requirements.

Forwarding-and-Return Service

If Forwarding-and-Return Service is used in conjunction with electronic or automated Address Correction Service, forwarded letters pay \$0.35 per piece and returned letters pay the applicable First-Class Mail price. All other letters requesting Forwarding-and-Return Service that are returned are charged the appropriate First-Class Mail price for the piece plus the price multiplied by a factor of 2.472.

Letters including a Repositionable Note

Add \$0.000 for each letter bearing a Repositionable Note.

Full-service Intelligent Mail Option

Subtract \$0.001 for each letter that complies with the requirements for the Full-service Intelligent Mail option.

Picture Permit Imprint Indicia

Add \$0.02 for each piece that includes Picture Permit Imprint Indicia.